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Catalog Showroom Census
See Special Section, Pp. 11-26

Discount Store News®

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Buyers Grapple With Exploding CE Market

Computer Software Multiplies

CHICAGO—Computers were the stars of the summer Consumer Electronics Show (CES) as predicted—but discounters went home still grappling with many of the same problems they arrived with.

Margins, with rare exceptions, promised to remain razor-thin on computer hardware. The sheer number of software and video game titles climbed to new heights, further clouding the already uncertain future of the game market. The limited availability of telephones in the third and fourth quarters may have discounters scrambling to maintain in-stock positions.

These problems and others *(Continued on page 54)*

Wal-Mart has refixtured computer software and game cartridges to enhance their self-service aspects, at the same time realizing that higher shrinkage may result. Shown is the Rogers, Ark., store, which has been partially refixtured to prototype. *(DSN photo)*

Wal-Mart Beefs Up Section

FAYETTEVILLE, Ark.—Wal-Mart has great expectations for its new consumer electronics department prototype here.

A belief in the category's explosive growth, combined with a goal of achieving a storewide sales average of $200 per square foot in the chain, led to the new assortments and department layout.

Wal-Mart is also seeking market dominance in certain merchandise categories, CE among them, according to Ron Loveless, vp, gmm, hard lines.

The program forms part of a "Merchandise Intensification" program outlined for stockholders at the company's annual *(Continued on page 54)*

Ames' MDA Drive Wins DISC Award

NEW YORK—Ames is the winner of the 1983 Discounter in Service to the Community (DISC) Award.

The DISC Award is given annually by *Discount Store News* to the discount store chain that did the best job of serving the community during the previous year.

Ames won this year's award for its work on behalf of the Muscular Dystrophy Association.

In a chainwide effort that involved store events—including parking lot block dances, skating parties, TV/bike promotions—at every Ames location, the chain raised $150,000, more than its projected $1,000 contribution from each of 112 stores in operation during 1982.

This year's judges were: Barbara Thatcher, manager of community relations, Target Stores; Stanley Berkovitz, vp, consumer and community affairs, Zayre; Fritz Steiger, director, public and government affairs, Wal-Mart; J. A. Roberts, senior vp, human resources, Roses, and Richard I. Hersh, president, National Mass Retailing Institute.

Best Sells Creative to Carlson; Will Produce Own Book in '84

RICHMOND—Best Products has completed its long-expected divestment of Creative Merchandising and Publishing, selling the catalog coordinator for an undisclosed amount to Carlson Companies.

Best had obtained Creative as part of its acquisition of the coordinator's parent Modern Merchandising in September 1982. Best will be responsible for Creative through September 1983, by which time the coordinator-produced book will have been distributed by the group's 17 members.

A Creative executive said Carlson expected to meet with group members, perhaps this month, to detail plans for Creative, in an effort to retain their membership.

A number of Creative members told *DSN* the group wanted to stay together and that such a meeting was necessary to clarify the relationships among the various showroom operators, Carlson and Ardan, a 68-unit cataloger owned by Carlson, which is also a Creative member.

Ardan will become the largest operator in stores and sales in the Creative group once Best leaves in October.

Best has been a member of Creative since its founding almost 25 years ago. However, Best, the industry's No. 1 cataloger for the past few years, has been putting together its own book, with the coordinator handling some layout work and coordinating photography and printing. (See earlier story, p. 14.)

As a member of Creative through the fall, Best will still use the coordinator's services for its 1983-84 catalog, while the Modern family of six chains, obtained in the acquisition, will *(Continued on page 4)*

Inventory Levels to Rise 35%-40%

47 Magic Marts Are Becoming ALCOs

By KAREN PAXTON

ABILENE, Kan.—The pace is fast and furious at Duckwall-ALCO headquarters here.

By October the company plans to have the 47 Magic Mart stores it acquired last month for about $6 million running like ALCO discount stores:

- Inventory levels at the stores will be boosted by 35% to 40% and the merchandise mix will be changed to match that of ALCO.
- All store personnel will be trained in Duckwall's operational and merchandise techniques.
- Interiors and exteriors of all stores will be equipped with ALCO signs, and employees will be given ALCO smocks.
- All merchandise will be cleared out of Magic Mart's Little Rock, Ark., distribution center by July 1, when the 345,000-sq.-ft. building will be sold or leased.
- The construction of a 160,000-sq.-ft. expansion to Duckwall's 190,000-sq.-ft. distribution center will be completed.
- The 47 Magic Marts will be incorporated into ALCO's advertising program.

To help finance the acquisition, Duckwall-ALCO is offering 700,000 shares of common stock (currently valued at $26 per share) for sale through a group of underwriters this month.

The money raised through the stock offering—some $18 million—will be used to support the company's increased inventory levels; finance the reformatting of the stores, which is scheduled to start early next year, and help pay the company's debts, according to president Robert Soelter. The com- *(Continued on page 54)*

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CATALOG SHOWROOM CENSUS

- **Although the number of catalogers decreases, overall sales** keep rising, and new-store plans will be stepped up. (Special section, pp. 11-26)

HARDWARE

- **Two Wal-Marts test a paint-mixing program.** (p. 34)

APPAREL

- **Marshalls hopes to do close to $10 million in the first year of its** second New Orleans-area store. (p. 37)

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CATALOG SHOWROOM CENSUS

Fewer But Stronger Chains Evolve

Catalogers Project Speeded-up Expansion

Nationwide DSN Report

The catalog showroom industry has contracted to fewer and, for the most part, financially stronger companies that are poised to speed up their showroom expansion pace.

The top 46 showroom chains in the United States project 65 new stores this year, according to a *DSN* survey, to hit the 1,061 unit mark, a 6.5% increase from the 996 showrooms they operated at the start of the year.

More Units

The speeded-up expansion next year calls for 82 more showrooms as catalogers expect this year's economic recovery to fuel even faster growth in 1984.

The economic upturn this year, along with such key merchandising moves as a greater emphasis on jewelry and the addition of domestics as a new category at a number of chains, is expected to push total volume from the fewer chains in the industry to about $7.5 billion, according to a *DSN* projection.

The recession last year, along with the shrinkage in the number of companies and severe financial problems at some chains, resulted in industry sales of about $6.5 billion.

The projected 15% sales growth for 1983 is expected to be sparked by a 20% increase in volume among the top 46 chains. As the industry coalesces into fewer chains, these companies' share of total industry volume continues to increase.

The top 46 this year are projected as accounting for slightly over $6.7 billion in sales, or more than 89% of total industry volume. Last year these catalogers generated almost $5.6 billion or 86% of the total.

Figures Analyzed

The shrinkage in chains is evident from the fewer companies and small increase in showrooms contained in the 1983 *Business Guides* listing of catalogers. That compilation has 267 companies operating 1,619 units, compared to 317 firms running 1,583 stores in the previous guide. (*DSN* uses *Business Guides* as its basic listing of the industry.)

The top 46 chains reflect both the contraction and growth of the industry. They include five chains—Ed Phillips & Son, Murray's Jewelers, Paysaver, Rosenbaum's and Standard Distributors—that weren't on the list last year, while three catalogers that were acquired in 1982 aren't included: Modern Merchandising and Basco (bought by Best Products) and Sam Solomon (taken over by Service Merchandise).

A number of smaller catalogers that haven't opened new showrooms in a few years have already done so in 1983 or plan to do so within the next 18 months. This list includes Fred Gattas (which has already opened in a former Ardan), Brand Name, Arthur's, Present and Paysaver. The latter two chains new stores will be unveiled either late this year or in 1984.

Problems Seen

Problems troubling some companies are also evident from the top 46 listing. Carlson is closing three showrooms and a minimal sales gain is projected for the catalog operation, while Jewelcor's showroom volume is expected to drop due to the closing of three units in 1982.

Even the growth recorded by the top chains hasn't come easy. Best Products' sales gain, for example, is mainly due to its acquisitions, while Service Merchandise's net gain of 23 units including seven acquired Sam Solomons played a key role in propelling that cataloger to $1.2 billion volume in 1982.

This year, catalogers are looking for improved internal operations to boost their sales and earnings. Two major trends are evident:

Higher-margin jewelry is getting a renewed emphasis through such moves as the opening of jewelry and giftware specialty stores (Best Jewelry and Service Merchandise's Zimm's) and by revamping showroom layouts and chain operations to play up this department, as at Consumers Distributing and Ardan.

Domestics is being added to the mix to enhance customer traffic—especially during off-peak selling periods for catalogers such as the first quarter of the year—and to garner sales from this profitable merchandise. The list of chains already merchandising domestics includes Best, Service Merchandise, H. J. Wilson and A. J. Foland, with McDade getting ready to do so this fall.

Chains weren't alone in making news in the showroom industry. Vast changes have also been taking place among coordinators, with two—PBA and Mutual Merchandising—leaving the industry, and a third—Creative Merchandising—due to be divested by Best which acquired the group as part of its purchase of Modern Merchandising.

Major Changes

The coordinator changes resulted in L. Luria & Son, formerly with Mutual, becoming an independent cataloger, while Best plans to do so and publish its own book for the seven chains it runs.

The proposed sale of Creative to Carlson means that group and MAI will be jockeying for the top spot among coordinators. The loss of Best and the Modern family of chains will result in the total volume of the Creative group dropping to about $600 million, while MAI's gain of four Mutual members boosted that group's total sales to above $500 million.

Top 46 Chains Plan 65 Openings in '83, 82 in '84

Chain (Hq. and coordinator)	Showroom $ sales (millions) Estimated current fiscal year	Last completed fiscal year	$ Net profit (millions) last fiscal year	Number of Showrooms As of Jan. 1 1983	As of July 1 1983	As of Dec. 31 1983	To Be opened in 1984
Best Products (Va.) (Independent)	2,250.0	1,581.7	28.8	189	190	196	10
Service Merchandise (Tenn.) (Independent)	1,425.0	1,195.3	31.6	139	145	155	15
H. J. Wilson (La.) (Independent)	525.0	458.2	5.6	75	75	78	5
Consumers Distributing (N.J.) (Independent)	360.0	309.0	N.A.	110	113	130	20
Carlson Cos. (Iowa) (Creative)	330.0	320.0	N.A.	71	68	68	0
Gordon Jewelers (Tex.) (Independent)	144.0	142.0	16.3	48	49	50	3
W. Bell (Md.) (Independent)	130.0	134.6	1.4	18	18	18	2
Jewelcor (Pa.) (Jewelcor)	125.0	127.0	N.A.	24	24	25	1
L. Luria & Son (Fla.) (Independent)	125.0	109.0	4.6	26	26	30	3
McDade & Co. (Ill.) (MAI)	97.0	94.0	N.A.	7	7	7	1
Brendles (N.C.) (MAI)	80.0	72.0	N.A.	18	18	20	2
Sterling Jewelers (Tex.) (Paul Schultz)	78.0	75.0	N.A.	5	5	5	0
Century House (N.Y.) (Independent)	72.6	73.3	(N.A.)	42	42	42	0
Ellman's (Ga.) (Independent)	70.0	62.0	1.6	7	7	7	1
David Weis (Pa.) (MAI)	70.0	64.0	N.A.	10	11	11	2
O. G. Wilson (Tex.) (Independent)	65.0	62.0	N.A.	15	15	15	0
K's Merch. Mart (Ill.) (Creative)	58.8	55.0	N.A.	6	6	7	0
E. H. Tepe (Ind.) (Creative)	47.0	45.0	N.A.	9	9	9	1
Dahlkemper's (Pa.) (Creative)	40.0	37.0	N.A.	6	6	6	1
Evans (Md.) (MAI)	34.0	30.0	N.A.	4	4	4	1
Goldbro (Ala.) (Charter)	33.0	30.0	N.A.	5	6	6	0
Ed Phillips & Son (Wis.) (Creative)	33.0	28.0	N.A.	3	3	3	0
Alexander's (S.C.) (Charter)	31.0	28.0	N.A.	5	5	5	1

Chain (Hq. and coordinator)	Showroom $ sales (millions) Estimated current fiscal year	Last completed fiscal year	$ Net profit (millions) last fiscal year	Number of Showrooms As of Jan. 1 1983	As of July 1 1983	As of Dec. 31 1983	To Be opened in 1984
Fred Gattas (Tenn.) (MAI)	27.0	25.0	N.A.	6	7	7	1
Jewel Mart (Ohio) (Paul Shultz)	26.0	24.0	N.A.	4	4	4	0
Towers (N.J.) (Creative)	26.0	24.0	N.A.	6	6	6	0
Wilcor (Fla.) (MAI)	26.0	25.0	N.A.	4	4	4	0
Key Distributors (Ga.) (Creative)	25.5	24.0	N.A.	8	8	9	1
Boardman's (N.Y.) (Independent)	25.0	24.0	N.A.	13	13	13	0
A. J. Foland (Mich.) (American)	25.0	22.0	N.A.	6	6	6	0
Masters Mrch. Mart (Fla.) (Jewelcor)	25.0	25.4	(1.3)	26	26	26	0
R & R (Mass.) (American)	25.0	23.0	N.A.	7	7	8	1
Hartman (Calif.) (Independent)	24.0	22.0	N.A.	10	11	13	2
Present Co. (N.Y.) (MAI)	24.0	22.0	N.A.	9	9	9	1
Witmark (Mich.) (Mutual)	24.0	22.0	N.A.	5	5	6	2
Brand Names (N.Y.) (Independent)	23.0	21.5	N.A.	12	13	13	0
Segall & Son (Ga.) (American)	22.0	20.0	N.A.	5	5	5	2
Arthur's (N.J.) (MAI)	18.0	16.0	N.A.	4	5	5	0
Value House (N.M.) (Paul Schultz)	18.0	16.0	N.A.	5	5	5	1
Wes Freedman (Pa.) (Charter)	16.0	15.0	N.A.	5	5	5	0
Murray's Jewelers (Ill.) (MAI)	16.0	15.0	N.A.	2	2	2	0
Wilbro (Ala.) (Charter)	16.0	15.0	N.A.	4	4	5	1
Paysaver (Mass.) (Jewelcor)	15.0	13.1	0.037	4	4	4	1
Rosenbaum's (N.Y.) (Paul Schultz)	15.0	14.0	N.A.	4	4	4	0
Standard Distributors (Ala.) (Creative)	15.0	15.0	N.A.	2	2	2	0
Top Brands (Mo.) (Paul Schultz)	15.0	15.0	N.A.	3	3	3	0

Some figures are DSN estimates. ( ) Loss. N.A. Not available.

Editors's note: The following amplifies figures on some of the chains listed in this chart:

***Best Products**—1982 figures include sales of Modern Merchandising and Basco from dates of acquisition, and provision for subsequent closing of eight Bascos. Results from Creative Merchandising, due to be divested, aren't included. Store count doesn't include four Data Base computer stores and nine Ashby's apparel specialty stores already in operation.*

***Service Merchandise**—1982 figures include those of Sam Solomon since date of acquisition.*

***H. J. Wilson**—1982 results include those of Standard Sales, acquired in 1981, and provision for subsequent closing of four units, two in 1982.*

***Consumers Distributing**—Results are for United States operation only, in Canadian dollars.*

***Carlson Cos.**—Firgures are for Ardan and MacDonald chains.*

***Jewelcor**—Figures are for Jewelcor (and Edison) catalog showroom chains only; coordinating operation is excluded.*